

INFORMATIONAL LETTER NO. 2101-MC-FFS

DATE: February 4, 2020

TO: Critical Access Hospitals (CAH)

APPLIES TO: Managed Care (MC), Fee-for-Service (FFS)

FROM: Iowa Department of Human Services (DHS), Iowa Medicaid Enterprise (IME)

RE: Critical Access Hospital (CAH) Cost Adjustment Factor (CAF)

EFFECTIVE: Immediately

CAF Methodology:

In accordance with [House File \(HF\) 766](#)¹, CAHs will receive additional reimbursement using a CAF. The CAF will apply to inpatient and outpatient hospital services. The cost adjustment factor will be hospital-specific and applies to Iowa Medicaid FFS and MC claims.

The CAF will be applied prospectively using previous cost report data. For year one, cost reports from provider fiscal year ends (FYE) of September 30, 2017, December 31, 2017, and June 30, 2018 will be used in the calculation. Year two will utilize provider FYEs of September 30, 2018, December 31, 2018, and June 30, 2019 and so forth.

The provider-specific interim inpatient diagnosis related grouping (DRG) base rate will be calculated based on the most recently filed cost report and will be increased by the provider-specific CAF. The provider-specific interim outpatient cost to charge ratio will be calculated using the most recently filed Medicaid cost report and adding percentage points to the cost-to-charge ratio to include the CAF amount. CAH-CAF adjusted interim rates will be implemented prospectively for services beginning July 1 and after of each year.

CAHs with a calculated overpayment will receive a CAF factor of 1 resulting in a reimbursement rate equal to 100 percent of their cost-based rate.

In future years, an adjustment to the CAF will be included for prior year overpayment or underpayment that may have occurred in the aggregate relative to the estimated cap.

¹ <https://www.legis.iowa.gov/docs/publications/LGR/88/HF766.pdf>

CAHs will receive at least the cost based interim rates as calculated annually and retrospective cost settlements will still be calculated for Medicaid FFS claims by review of the cost report.

Year One Interim Rate Recalculations:

Interim rates, as set by the tentative settlement review process, for cost reports with FYEs September 30, 2017, December 31, 2017, and June 30, 2018 will be recalculated to incorporate managed care claims information into the rate setting process. Providers will receive notification of their recalculated provider-specific interim rates electronically in the next few weeks.

Claims Reprocessing:

Hospital-specific, CAH-CAF adjusted, interim rates will be implemented back to July 1, 2019. The State will provide the CAFs associated with each CAH directly to the Managed Care Organizations (MCOs). All Medicaid MCO and FFS claims for dates of services July 1, 2019 and after will be reprocessed to reflect the CAH-CAF adjusted rates.

If you have any questions, please contact IME Provider Cost Audit at costaudit.dhs.state.ia.us, or 515-256-4610.